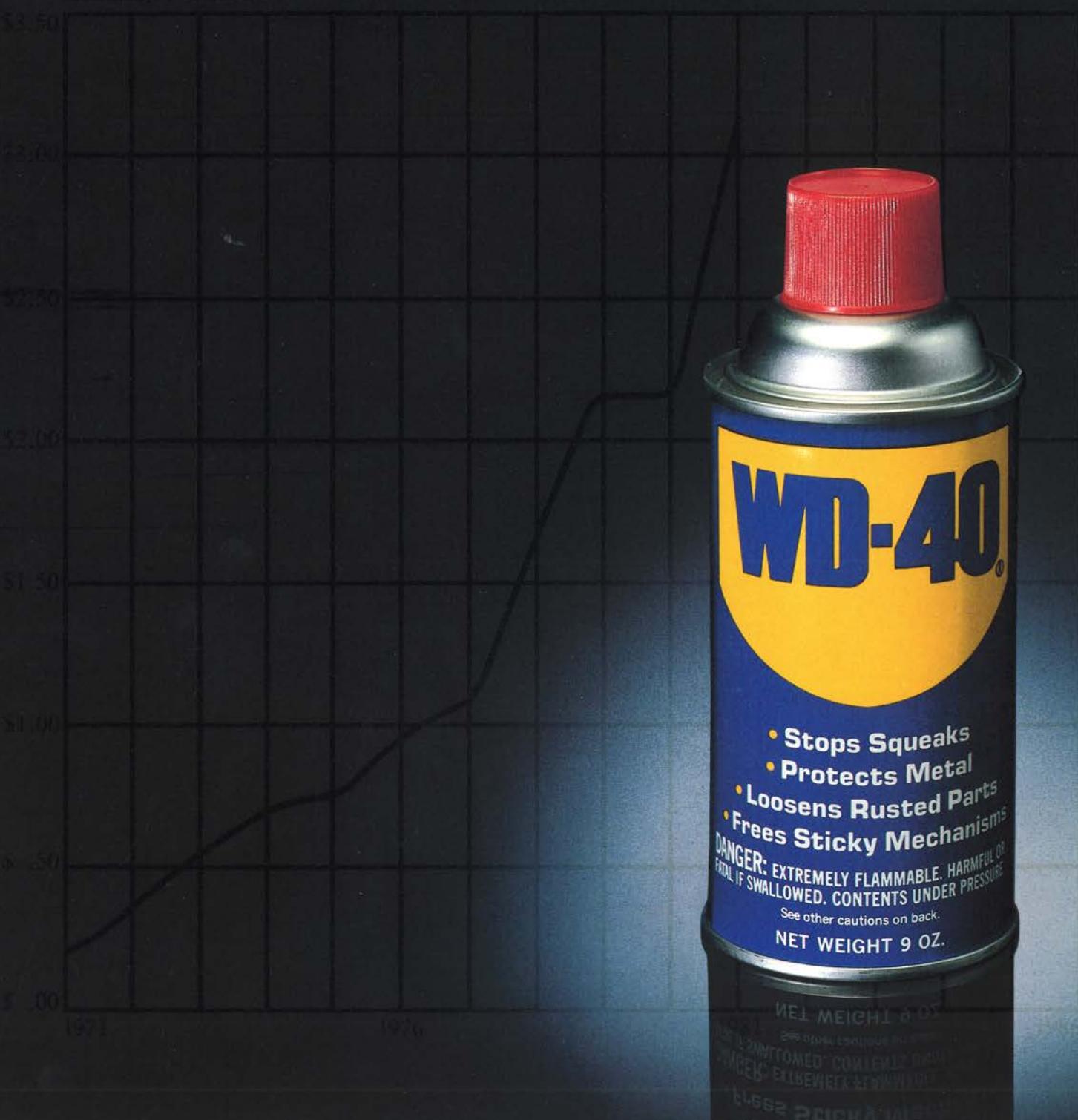


WD-40 Company 1981 Annual Report

Year Ending August 31

Earnings Per Share



Highlights of the 3 Years Ended August 31

	<u>1981</u>	<u>1980</u>	<u>1979</u>
Net Sales	\$44,590,000	\$35,795,000	\$35,215,000
Net Income	\$ 7,844,000	\$ 5,510,000	\$ 5,503,000
Net Income per Share	\$3.17	\$2.22	\$2.22
Dividends Paid	\$1.80	\$1.55	\$1.20
Average No. of Shares Outstanding	2,478,090	2,478,090	2,478,090
Shares Outstanding	2,478,090	2,478,090	2,478,090
Number of Shareholders	1491	1698	1491

Highlights Fiscal 1981:

- Current Ratio 4.3 to 1
- Net Income to Average Net Worth: 56.1%
- Debt: None
- Receivables to Sales: 15.9%
- Inventories to Sales: 3.2%
- Sales per Employee: \$1,238,611

October 14, 1981

TO OUR SHAREHOLDERS:

It is a pleasure to report that your company posted record sales and earnings. Sales rose to \$44,590,000, an increase of 24.5% over last year and earnings reached \$7,844,000, up 42.3% from Fiscal 1980. On a per share basis, earnings were \$3.17 as compared with \$2.22 last year. Cash dividends were \$1.80 this year compared with \$1.55 last year.

Both sales and earnings benefited from a price increase as well as a shift in product mix to a larger and higher priced package. Sales and marketing expenses shrunk slightly as a percent of sales which helped to improve the profit margin.

High interest rates throughout the year sustained the tight inventory policies adopted by many of our customers last year. Hand-to-mouth buying resulted in numerous stock-outs and, undoubtedly, lost sales. The economic climate has and is retarding our growth.

We intend to set new sales and earnings records in Fiscal 1982.



John S. Barry,
President

THE COMPANY

Corporate Objectives

Management is dedicated to the objectives of increasing corporate earnings and dividends by winning the end-user's brand loyalty for your Company's only product, WD-40.

The Product

WD-40 is the cornerstone of your Company. It is a chemical-petroleum based maintenance product consumed by end-users in homes, factories, garages, farms and offices throughout the free world. The well-established growth pattern in the demand for WD-40 attests to customer satisfaction with its performance.

WD-40 is typically procured for a specific application and, because of its unusual versatility, finds its way into many other uses. This broad range of uses provides your single-product Company with surprising diversification from a marketing point-of-view — it has little dependency on any one or even a group of end-users.

Markets

WD-40 is supplied to its many markets through a number of trade channels, the most important of which are: hardware, automotive, sporting goods, industrial and farm. Your Company envisions significant growth attainable through increased market penetration.

Competition

Your Company's success with WD-40 has lured numerous imitators into the marketplace. None has gained a significant market share even in those cases where the firm had a long established position in its own trade channel. Several imitators have been willing to "buy" distribution by using unusual trade discounts and terms of sale. In these instances, our business has been disrupted in a geographical area for six or eight months until the failure of their ability to secure a foothold in the market has become evident.

Three imitators have infringed our Trademarks by emulating our tradedress including colors. We assured them legal action would be taken if changes to the offending tradedress were not made. In each situation the matter has been resolved thereby protecting the Company's single most valuable asset, its trademark/tradedress. It was encouraging to note

that the Ford Motor Company recently won a substantial award resulting from a law suit involving a blatant "palm-off" of their trademark/tradedress. We will take action against any future infringer.

Operational Overview

While your Company is technically a manufacturer, it is really a marketer. Such being the case, it is organized to focus intensive management attention on critical success areas of: (1) sales policies, (2) marketing plan formulation, and (3) implementation of marketing plans. Other vital functions handled internally are: order handling, credit, concentrate formulation, and quality control.

WD-40 concentrate is formulated in San Diego and shipped by rail car or tank wagon to contract packagers in Los Angeles, Texas, Georgia, New Jersey, Wisconsin, and Toronto, Canada. Independent sub-contractors package WD-40 to rigid specifications and, upon order from your Company, ship WD-40 to customers in their respective areas via common carrier. The packagers have no responsibility for marketing WD-40.

Your Company has 30 employees in the United States and 6 in Canada.

Capital Requirements — Dividends

Your Company will be able to accommodate a very substantial increase in business with an insignificant addition to fixed assets. Growth will require modest increases to working capital. There are no other plans for utilizing earnings, hence, it is expected that unneeded funds will be paid out as dividends. This is reflected in the fact that fiscal 1981 cash dividends were 16% higher than the previous year.

International

Your Company has a network of licensees and distributors throughout the free world. While contributing less than 10% of sales and income, this business does enhance WD-40's overall image as well as build demand in the United States through "cross-pollination."

Fiscal 1982

We are making marketing investments aimed at improving our position in the marketplace.



600 B STREET, SAN DIEGO, CALIFORNIA 92101
714-231-1200

October 5, 1981

To the Board of Directors and Shareholders
of WD-40 Company

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of WD-40 Company and its subsidiary at August 31, 1981 and 1980, and the results of their operations and the changes in their financial position for each of the three years in the period ended August 31, 1981, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

**WD-40 COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS**

	Year ended August 31		
	1981	1980	1979
Net sales	\$44,590,000	\$35,795,000	\$35,215,000
Interest, royalty and other income	1,212,000	942,000	706,000
	<u>45,802,000</u>	<u>36,737,000</u>	<u>35,921,000</u>
Cost and expenses:			
Cost of products sold	19,715,000	16,106,000	15,503,000
Selling, general and administrative	7,351,000	6,689,000	6,788,000
Advertising and sales promotion	2,852,000	2,830,000	2,366,000
	<u>29,918,000</u>	<u>25,625,000</u>	<u>24,657,000</u>
Income before taxes on income	<u>15,884,000</u>	<u>11,112,000</u>	<u>11,264,000</u>
Provision for income taxes (Note 2):			
Federal	6,432,000	4,563,000	4,736,000
State	1,340,000	930,000	921,000
Foreign	268,000	109,000	104,000
	<u>8,040,000</u>	<u>5,602,000</u>	<u>5,761,000</u>
Net income	<u>7,844,000</u>	<u>5,510,000</u>	<u>5,503,000</u>
Beginning retained earnings	11,065,000	9,396,000	6,867,000
Cash dividends of \$1.80, \$1.55 and \$1.20 per share	(4,461,000)	(3,841,000)	(2,974,000)
Ending retained earnings	<u>\$14,448,000</u>	<u>\$11,065,000</u>	<u>\$ 9,396,000</u>
Earnings per share (Note 1)	<u>\$3.17</u>	<u>\$2.22</u>	<u>\$2.22</u>

See accompanying notes to consolidated financial statements.

**WD-40 COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET**

	ASSETS		August 31
	<u>1981</u>	<u>1980</u>	
Current assets:			
Cash including certificates of deposit of \$9,891,000 and \$5,201,000	\$10,428,000	\$5,374,000	
Accounts receivable, less allowance for cash discounts and doubtful accounts of \$42,000 and \$118,000	7,081,000	5,429,000	
Inventories, at the lower of average cost or market:			
Finished goods	1,076,000	869,000	
Raw materials	349,000	152,000	
	<u>1,425,000</u>	<u>1,021,000</u>	
Prepaid taxes and expenses	578,000	643,000	
Total current assets	<u>19,512,000</u>	<u>12,467,000</u>	
Property, plant and equipment at cost (Note 1):			
Land	100,000	100,000	
Building and improvements	477,000	477,000	
Machinery and equipment	659,000	630,000	
	<u>1,236,000</u>	<u>1,207,000</u>	
Less: Accumulated depreciation	(464,000)	(378,000)	
	<u>772,000</u>	<u>829,000</u>	
	<u><u>\$20,284,000</u></u>	<u><u>\$13,296,000</u></u>	

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Accounts payable	\$ 1,304,000	\$ 473,000	
Accrued payroll and related expenses	650,000	429,000	
Estimated taxes on income (Note 2)	2,615,000	62,000	
Total current liabilities	<u>4,569,000</u>	<u>964,000</u>	
Deferred income taxes (Note 2)	<u>45,000</u>	<u>45,000</u>	
Shareholders' equity:			
Common stock, no par value, 3,000,000 shares authorized — 2,478,090 shares issued and outstanding (Note 3)	1,101,000	1,101,000	
Paid in capital	121,000	121,000	
Retained earnings	14,448,000	11,065,000	
Total shareholders' equity	<u>15,670,000</u>	<u>12,287,000</u>	
	<u><u>\$20,284,000</u></u>	<u><u>\$13,296,000</u></u>	

See accompanying notes to consolidated financial statements.

**WD-40 COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION**

	Year ended August 31		
	<u>1981</u>	<u>1980</u>	<u>1979</u>
Financial resources were provided by:			
Operations —			
Net income	\$7,844,000	\$5,510,000	\$5,503,000
Depreciation	103,000	99,000	89,000
Deferred income tax	-0-	2,000	(2,000)
Provided by operations	<u>7,947,000</u>	<u>5,611,000</u>	<u>5,590,000</u>
Disposition of equipment	-0-	10,000	36,000
	<u>7,947,000</u>	<u>5,621,000</u>	<u>5,626,000</u>
Financial resources were used for:			
Cash dividends	4,461,000	3,841,000	2,974,000
Additions to plant and equipment	46,000	87,000	151,000
	<u>4,507,000</u>	<u>3,928,000</u>	<u>3,125,000</u>
Increase in working capital	<u>\$3,440,000</u>	<u>\$1,693,000</u>	<u>\$2,501,000</u>
Changes in components of working capital:			
Increase (decrease) in current assets —			
Cash	\$5,054,000	\$ 6,000	\$ 252,000
Accounts receivable	1,652,000	(504,000)	2,387,000
Inventories	404,000	232,000	126,000
Prepaid taxes and expenses	(65,000)	232,000	115,000
	<u>7,045,000</u>	<u>(34,000)</u>	<u>2,880,000</u>
Decrease (increase) in current liabilities —			
Accounts payable	(831,000)	441,000	(521,000)
Accrued payroll and related expenses	(221,000)	(16,000)	(68,000)
Estimated taxes on income	(2,553,000)	1,302,000	210,000
	<u>(3,605,000)</u>	<u>1,727,000</u>	<u>(379,000)</u>
Increase in working capital	<u>\$3,440,000</u>	<u>\$1,693,000</u>	<u>\$2,501,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — Summary of accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, WD-40 Products (Canada) Limited. All significant intercompany transactions have been eliminated. Accounts of the Canadian subsidiary have been translated into United States dollars at appropriate rates of exchange. The gain or loss resulting from translation, which was not material in amount, has been included in operations.

Depreciation

Depreciation of plant and equipment has been provided on the straight-line method, based upon estimated useful lives of thirty years for the plant, and ten to fifteen years for machinery and equipment. Management has elected to depreciate plant, machinery and equipment on the declining balance method for income tax purposes. Expenditures for renewals and betterments are capitalized; maintenance and repair costs are expensed. Upon the sale or retirement of

property, plant and equipment, cost and related depreciation are cleared from the accounts and any gain or loss is included in operations.

Earnings per share

Earnings per share are based upon the weighted average number of shares outstanding during each year of 2,478,090 in 1981, 1980 and 1979.

Note 2 — Income taxes

Income tax provisions are computed at the statutory rates in effect for federal, state and foreign authorities, respectively. The provision for income taxes includes the following timing differences:

	Year ended August 31		
	1981	1980	1979
Due to expenses recorded in advance of tax deduction —			
California Franchise Tax	\$161,000	\$ 3,000	\$ 96,000
Allowance for cash discounts	(35,000)	6,000	23,000
Stock appreciation rights	36,000	-0-	-0-
Other — net	-0-	(1,000)	(1,000)
Increase in prepaid taxes	\$162,000	8,000	118,000
Due to tax deduction in advance of recording expense —			
Decrease (increase) in deferred taxes —			
Depreciation	-0-	(2,000)	2,000
Tax effect of timing differences	\$162,000	\$6,000	\$120,000

Investment tax credits, which are not material in amount, are accounted for under the flow-through method.

NOTE 3 — Common stock

The Company has a Non-Qualified Stock Option Plan under which officers and key employees of the Company may be granted options to purchase an aggregate of not more than 60,000 shares of the Company's no par value common stock at a price not less than 100% of the fair market value of the stock at the date of grant. Options are exercisable one year after grant and may not be granted for terms in excess of five years. Options for 43,600 shares granted from September 1973 through September 1975 at \$5.50 to \$11.38 per share were all exercised prior to Fiscal 1979, and no additional options were granted, leaving no options outstanding at August 31, 1979. Options for 16,400 shares were granted September 1979 at \$29.50 per share. The granting of these options brings the aggregate number of options issued under the Plan to the maximum allowable amount of 60,000 shares. The Plan terminates in October 1982. During 1981 the company issued Stock Appreciation Rights (SAR) covering the 16,400 stock options granted September 1979 at \$29.50 per share. The charge to current income with respect to the granted SAR totalled \$77,900.

There were no changes in common stock during the years ended August 31, 1981 and 1980.

NOTE 4 — Profit Sharing Plan

The Company has a Profit Sharing Plan for the benefit of its regular full time employees, including officers. The Plan provides for annual contributions into a trust which are based upon an annual earnings formula, or more, as approved by the Board, but which may not exceed the amount deductible for income tax purposes. The Plan may be amended or discontinued at any time by the Company. Profit sharing expense for 1981, 1980 and 1979 approximated \$152,000, \$128,000 and \$129,000, respectively.

Quarterly Financial Information

The following table sets forth certain quarterly financial information for the two years ended August 31, 1981.

Quarter ended:	Net sales	Gross profit	Net income	Earnings per share
November 30, 1979	\$ 7,914,000	\$ 4,403,000	\$ 1,132,000	\$.46
February 29, 1980	10,508,000	5,907,000	1,587,000	.64
May 31, 1980	8,672,000	4,638,000	1,275,000	.51
August 31, 1980	8,701,000	4,741,000	1,516,000	.61
	<u>\$35,795,000</u>	<u>\$19,689,000</u>	<u>\$5,510,000</u>	<u>\$2.22</u>
November 30, 1980	\$10,373,000	\$ 5,478,000	\$ 1,406,000	\$.57
February 28, 1981	10,487,000	5,938,000	1,805,000	.73
May 31, 1981	11,911,000	6,972,000	2,193,000	.88
August 31, 1981	11,819,000	6,487,000	2,440,000	.99
	<u>\$44,590,000</u>	<u>\$24,875,000</u>	<u>\$ 7,844,000</u>	<u>\$3.17</u>

COPY OF FORM 10-K

Beneficial owners may obtain without charge a copy of WD-40 Company's annual report on Form 10-K filed with the Securities and Exchange Commission for 1981 by writing to the Secretary, WD-40 Company, 1061 Cudahy Place, San Diego, CA 92110.

STOCK INFORMATION

Period	Fiscal 1981			Fiscal 1980		
	High	Low	Dividend	High	Low	Dividend
First Quarter	37	29	.40	37½	27¾	\$.35
Second Quarter	31	28	.45	42¾	33½	.40
Third Quarter	39	31	.45	37¾	31½	.40
Fourth Quarter	38¾	36½	.50	38¼	29	.40

The high and low sales prices are as quoted in Standard and Poor's Daily Stock Prices.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE LAST THREE FISCAL YEARS OF OPERATIONS (SEE SUMMARY OF OPERATIONS ON PAGES 9 AND 10)**Liquidity.**

The company does not anticipate any liquidity problems.

Capital Generation.

The company generates all the capital it needs.

Sales

Sales growth rates for 1979 through 1981 respectively were: 34.0%, 1.6% and 24.5%. Price increases of about 15% for each of the last two years mask the retarding effect of the weak economy.

Cost of Products Sold

Product cost as a per cent of sales for 1979 through 1981 respectively was: 44.0%, 45.0%, and 44.2%. Inflation in 1980 more than offset the price increase in that year whereas the opposite was the case in 1981.

Selling, Advertising, General and Adminstrative Expenses

Selling, administrative, and marketing expenses as a per cent of sales for 1979 through 1981 respectively was: 25.9%, 26.6%, and 22.9%. The reduction in 1981 is a result of more cost effective marketing programs as well as some economies resulting from larger scale operations.

Board of Directors

Thomas Barger	Consultant, Former Chairman of the Board, Aramco
John S. Barry	President, Treasurer
Sam Crivello	Investor
Eugene H. DeFalco	Investor
Harlan F. Harmsen	Attorney, Harmsen, Carpenter & Wilkinson
J. Lawrence Irving	Secretary; Attorney
Margaret L. Roulette	Investor
Lucia D. Taylor	Investor

Officers

John S. Barry	President, Treasurer
Gerald C. Schlief	Vice President — Marketing
J. Lawrence Irving	Secretary
E. Gianni	Assistant Secretary

General Counsel

Harmsen, Carpenter & Wilkinson

Independent Accountants

Price Waterhouse
San Diego, California

Transfer Agent & Registrar

California First Bank, 8155 Mercury Court, San Diego, California 92112

Corporate Office

1061 Cudahy Place
San Diego, California 92110
714/275-1400

Annual Meeting

2:00 PM, November 30, 1981
Company Offices
1061Cudahy Place
San Diego, California 92110

Listed

Over the Counter. Symbol WDFC

TEN YEAR SUMMARY (1)

FISCAL YEAR ENDED AUGUST 31

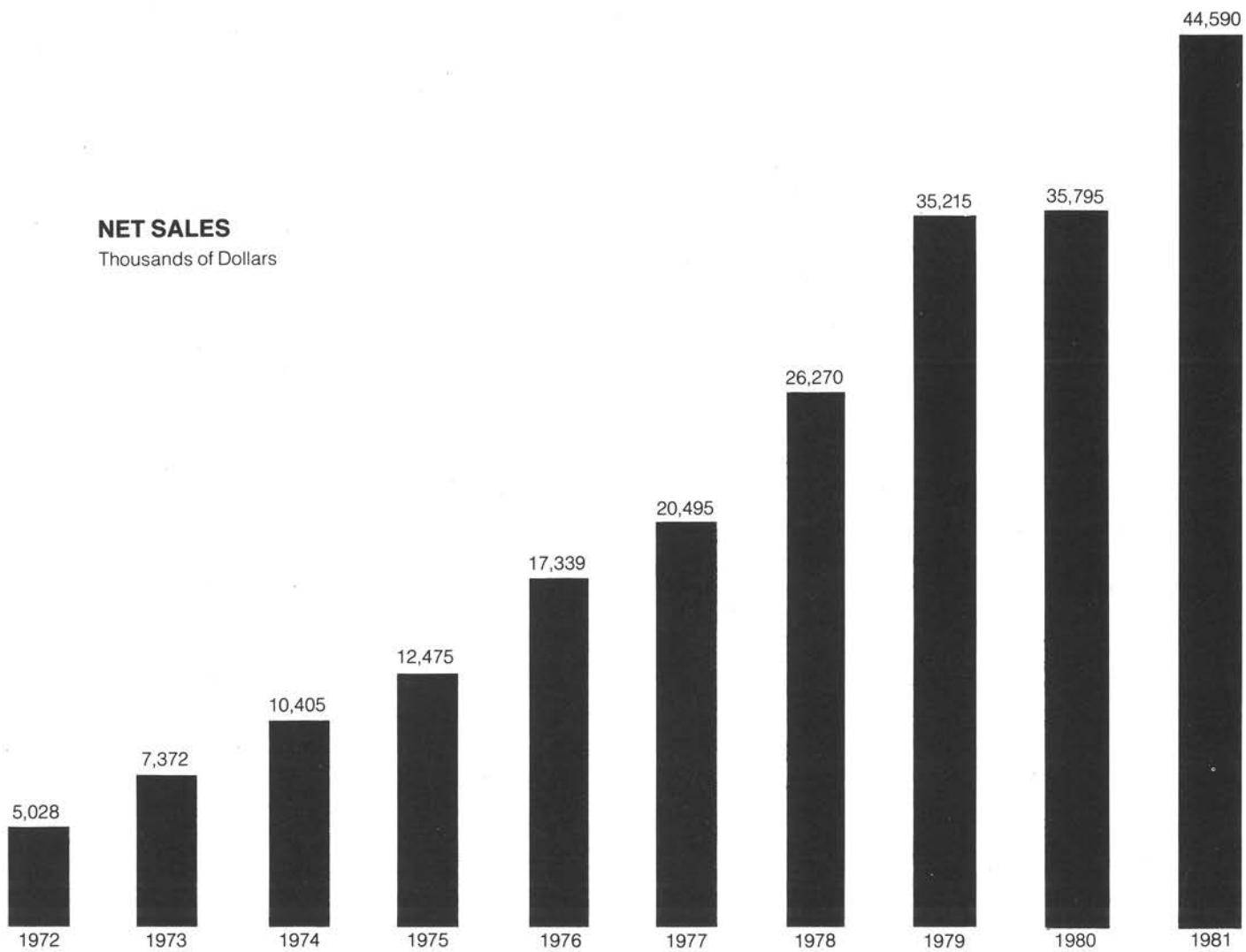
	1972	1973	1974
Net sales	\$5,028,000	\$7,372,000	\$10,405,000
Cost of products sold	1,921,000	2,834,000	4,392,000
Gross Profit	3,107,000	4,538,000	6,013,000
Selling, advertising, general and administrative expenses	1,469,000	2,140,000	2,877,000
Interest, royalty and other income	111,000	146,000	193,000
Income before taxes on income	1,749,000	2,544,000	3,329,000
Provision for income taxes (2)	901,000	1,318,000	1,736,000
Net Income	\$ 848,000	\$1,226,000	\$ 1,593,000
Earnings per share (3)	\$.365	\$.51	\$.655
Cash dividends per share (4)	\$.53	\$.475	\$.40
Total assets	\$1,394,000	\$2,618,000	\$ 3,216,000
Number of employees	19	20	23

(1) Includes the accounts of the Company and its wholly owned subsidiary. All significant inter-company transactions have been eliminated. See Management's Discussion and Analysis of Operations of the three years ended August 31, 1979 through 1981 on page 7.

(2) The Company's shareholders elected to be taxed under Subchapter S of the Internal Revenue Code of 1954 during the four years ended August 31, 1969 through 1972. Under this election, the Company paid no federal income tax for these years because taxable income of the Company was includable in the federal income tax returns of the shareholders. A charge equivalent to federal income taxes which would have been paid, had the Subchapter S election not been made, has been included in the provision for income taxes for Fiscal 1972.

NET SALES

Thousands of Dollars

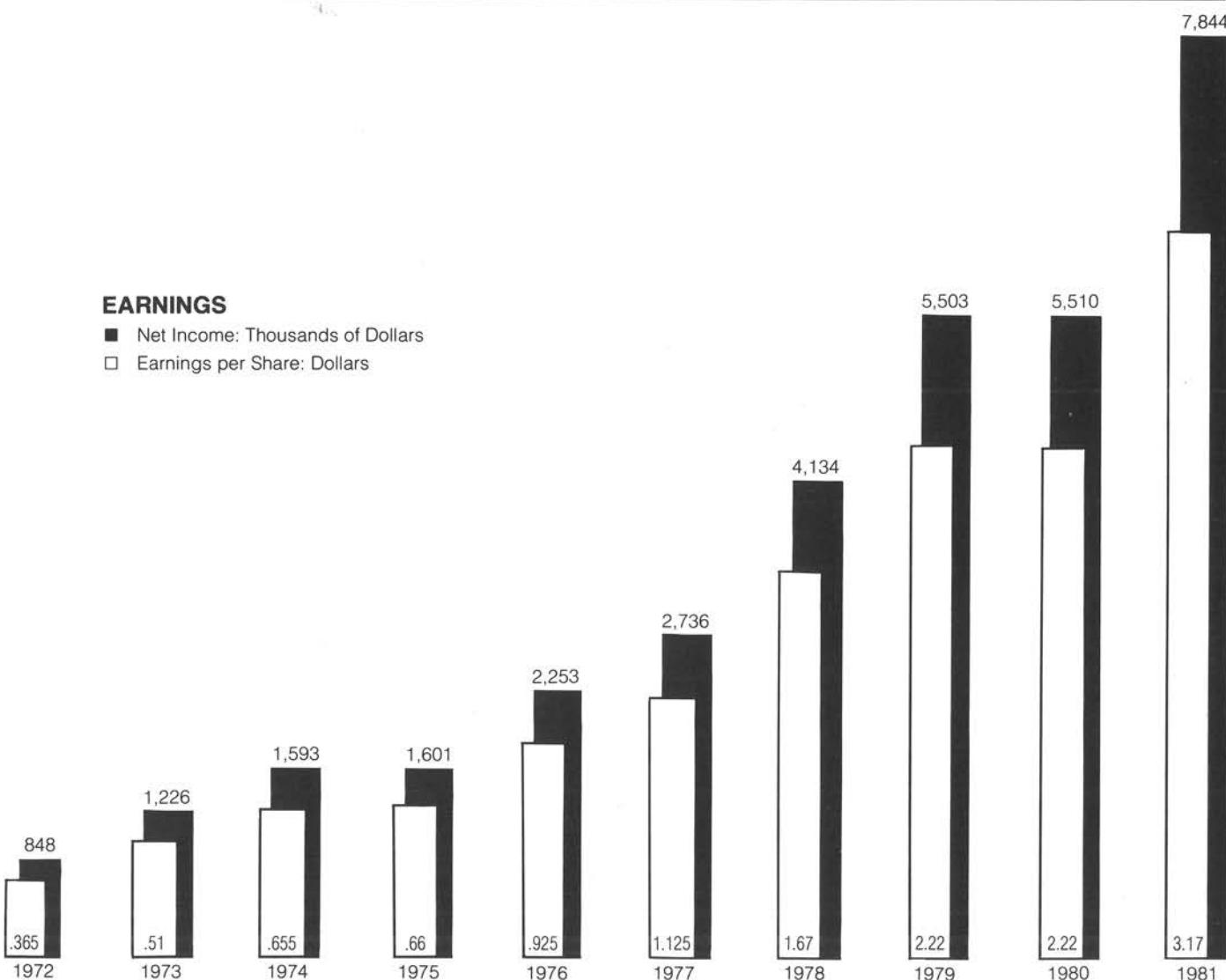


1975	1976	1977	1978	1979	1980	1981
\$12,475,000	\$17,339,000	\$20,495,000	\$26,270,000	\$35,215,000	\$35,795,000	\$44,590,000
5,863,000	7,929,000	9,230,000	10,957,000	15,503,000	16,106,000	19,715,000
6,612,000	9,410,000	11,265,000	15,313,000	19,712,000	19,689,000	24,875,000
3,483,000	4,918,000	5,812,000	7,200,000	9,154,000	9,519,000	10,203,000
210,000	229,000	296,000	491,000	706,000	942,000	1,212,000
3,339,000	4,721,000	5,749,000	8,604,000	11,264,000	11,112,000	15,884,000
1,738,000	2,468,000	3,013,000	4,470,000	5,761,000	5,602,000	8,040,000
\$ 1,601,000	\$ 2,253,000	\$ 2,736,000	\$ 4,134,000	\$ 5,503,000	\$ 5,510,000	\$ 7,844,000
\$.66	\$.925	\$ 1.125	\$ 1.67	\$ 2.22	\$ 2.22	\$ 3.17
\$.40	\$.475	\$.55	\$.80	\$ 1.20	\$ 1.55	\$ 1.80
\$ 4,165,000	\$ 5,942,000	\$ 7,556,000	\$ 10,446,000	\$ 13,352,000	\$ 13,296,000	\$ 20,284,000
24	27	31	32	35	36	36

(3) Earnings per common share have been computed based upon the weighted average number of shares of common stock outstanding during each year after giving retroactive effect to the 42.5 for 1 stock split in November 1972 and the 2 for 1 stock split in October 1978. The weighted average number of shares outstanding during the fiscal years through August 31, 1972, the year ended August 31, 1973, the years ended August 31, 1974 through 1976, the year ended August 31, 1977, the year ended August 31, 1978, and the years ended August 31,

1979 and 1980 and 1981 were 2,331,890, 2,407,706, 2,434,490, 2,434,566, 2,471,426, and 2,478,090, respectively.

(4) The cash dividends paid per common share have been retroactively restated to give effect to the November 1972 and October 1978 stock splits. Cash distributions paid to the shareholders through November 1972 were based on the approximate taxable income under Subchapter S for the four years ended August 31, 1969 through 1972 and therefore exceed net income after the charge equivalent to federal taxes on income.





WD-40 World Headquarters, San Diego, California

WD-40 COMPANY, 1061 CUDAHY PLACE, SAN DIEGO, CA 92110